



The Federal Diary

Hill Offers Plan to Increase Retirement Pay

By Jerry Klutts

The door was opened yesterday for Federal employees to get credit for unused sick leave and other retirement changes—if the contributions of both the employees and the Government are increased from 6.5 to 7 per cent of salaries.

Chairman Dominick Daniels (D-N.J.) predicted that his House Retirement Subcommittee will recommend such legislation and that it will have the backing of the Johnson Administration. Employee leaders have demanded increased benefits as the price for larger contributions.

Daniels made his statement after hearing Civil Service Chairman John W. Macy testify that an increase in contributions to 7 per cent would provide for new benefits that would cost \$30 million annually.

In answer to a series of questions by Daniels and Rep. David Henderson (D-N.C.), Macy gave the subcommittee a priority ranking of retirement changes in this order:

- To allow widows and widowers of pre-1966 retirees to keep their survivor benefits upon remarriage.

- To permit re-employed retirees to recompute survivor benefits on their re-employed salaries. Neither of these proposals would be costly.

- To provide credit toward retirement for unused sick leave. Under the plan suggested by Macy, an employee, for example, who retires with 30 years service and who has 60 days of unused sick leave would be allowed to count that leave toward his length of service at a rate of a month's service for every 22 days of sick leave. The additional service would have the effect of increasing the employee's retirement benefits.

The CSC Chairman estimated the leave-credit plan would cost the retirement fund about \$15 million annually, and he pointed out that if it had the effect of reducing average leave use by one day a year the plan would save \$90 million. The average use is about 8.3 days annually, he testified.

- To restore payment of full annuities to a retiree who had taken reduced benefits to provide for a surviving spouse should the spouse predecease him. This proposal would cost about \$14.5 million a year.

- To allow retirees who remarry to provide survivor benefits for their new spouses. The cost would be minor.

- To permit employees to compute their annuities on the highest three years of salary instead of the highest five years.

Macy opposed this latter proposal on the ground that the 5-year formula is "very liberal"

and that the 3-year plan would put the Government ahead of retirement comparability in private industry. Besides, the proposal would cost \$15 million annually.

The CSC leader suggested July 1 would be an "appropriate" time to make effective the increase in contributions and retirement reforms inasmuch as more than 2 million classified and postal employees have been promised an average pay raise of 5 per cent during that month.

Meantime, the pay raise was brought up by the House Appropriations Committee during hearings on where \$6 billion in budget cuts and a \$10 billion cut in obligatory authority could be made. There was little sentiment to change the raise.

Chairman George Mahon (D-Tex.) said:

"If Congress were to withdraw the pay raise which goes into effect in July, that would save \$1.6 billion in the budget . . . That has been in the picture all the time. But it is now the consensus, as I understand it, of the leadership, and it is my belief, that we cannot bring Congress to the position of eliminating the \$1.6 billion in pay increases for the military and for civilians.

"If we are unable to do that, we have to come below the \$5.6 billion or the \$6 billion figure that has been discussed."

There was no agreement on where the cuts could be made. The Johnson Administration is willing to accept a cut of \$4 billion. If Congress insists on the \$6 billion cut insiders say another look will have to be taken at the pay increase, even though almost no one wants to change it.

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